

**Introduced by Senator Johnson**February 20, 2003

---

An act to amend Sections 17070.75, 17584, and 33128 of, and to add Section 17463.5 to, the Education Code, relating to school finance.

## LEGISLATIVE COUNSEL'S DIGEST

SB 588, as introduced, Johnson. Education finance.

(1) Existing law, the Leroy F. Greene School Facilities Act of 1998 (the Greene Act of 1998), requires the State Allocation Board to allocate to applicant school districts, prescribed per-unhoused-pupil state funding for construction and modernization of school facilities, including hardship funding, and supplemental funding for site development and acquisition.

Existing law requires the board to require participating school districts to establish a restricted account within the school district's general fund and to deposit an amount equal to 3% of the school district's general fund into the fund for maintenance of school facilities.

This bill would reduce the required minimum maintenance deposit to 2% of the school district's general fund.

(2) Existing law requires a school district to use the funds derived from the sale of surplus property for capital outlay or for costs of maintenance of school district property that the governing board of the school district determines will not recur within a 5-year period. Existing law authorizes a school district having an average daily attendance of less than 10,001 in any fiscal year to deposit any and all interest earned on those funds into the general fund of the district if the district meets certain conditions.

This bill would, notwithstanding those provisions, and until the date that the Governor issues a proclamation declaring that the California



economy has fully recovered from the recession that began in 2000, authorize a school district to deposit the funds derived from the sale of surplus property in the general fund of the district for any general fund purpose.

(3) Existing law authorizes the governing board of each school district to establish a restricted fund known as the ‘district deferred maintenance fund’ for the purpose of major repair or other forms of maintenance, as specified. Existing law requires the State Allocation Board to apportion, from the State School Deferred Maintenance Fund, to school districts an amount equal to \$1 for each \$1 of local funds, up to a certain amount.

This bill would require the State Allocation Board to apportion \$1 for each 50¢ of local funds, up to a certain amount.

(4) Existing law requires the State Board of Education to adopt standards and criteria to be used by local educational agencies in the development of annual budgets and the management of subsequent expenditures from that budget. Existing law requires those standards and criteria to include comparisons and reviews of reserves and fund balances.

This bill would require the standards and criteria adopted for calculating a reserve to be based on a minimum amount or a percentage of the local educational agency’s total expenditures from unrestricted resources, transfers out, and other uses. The bill would make conforming changes.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. The Legislature finds and declares all of the  
2 following:

3 (a) California faces an unprecedented fiscal crisis, and the  
4 Legislative Analyst projects that the state will experience  
5 operating deficits of \$12 billion to \$16 billion every year, unless  
6 significant cuts in state spending are implemented.

7 (b) In a time of fiscal crisis, it is necessary for the state and local  
8 agencies to examine the priorities that are essential to the core of  
9 each agency’s function.

10 (c) Public schools maintaining kindergarten and grades 1 to 12,  
11 inclusive, must be given relief from restrictive and costly state



mandates so that school districts will have the operational and fiscal flexibility to manage their budgets within the context of the current budget crisis.

SEC. 2. Section 17070.75 of the Education Code is amended to read:

17070.75. (a) The board shall require the school district to make all necessary repairs, renewals, and replacements to ensure that a project is at all times ~~kept~~ *maintained* in good repair, working order, and condition. All costs incurred for this purpose shall be borne by the school district.

(b) In order to ensure compliance with subdivision (a) and to encourage school districts to maintain all buildings under their control, the board shall require an applicant school district to do all of the following prior to the approval of a project:

(1) Establish a restricted account within the school district's general fund for the exclusive purpose of providing moneys for ongoing and major maintenance of school buildings, according the highest priority to funding for the purposes set forth in subdivision (a).

(2) Agree to deposit into the account established pursuant to paragraph (1), in each fiscal year for 20 years after receipt of funds under this chapter, a minimum amount equal to or greater than 3 2 percent of the applicant school district's total general fund expenditures, including other financing uses, for that fiscal year. ~~For the 1998-99 fiscal year and the 1999-2000 fiscal year, a school district may phase in this requirement by agreeing to certify the deposit of no less than 2 percent for the 1998-99 fiscal year and no less than 2 1/2 percent for the 1999-2000 fiscal year.~~ Annual deposits to the fund established pursuant to paragraph (1) in excess of 2 1/2 percent of the *school* district general fund budget may count towards the *school* district's matching funds requirement necessary to receive apportionments from the State School Deferred Maintenance Fund pursuant to Section 17584 to the extent that funds are used for purposes that qualify for funding under that section. In addition, any *school* district contribution to this fund may be provided in lieu of meeting the ongoing maintenance requirements pursuant to Section 17014 to the extent the funds are used for purposes established in that section. A school district that serves as the administrative unit for a special education local plan area may elect to exclude from its total

1 general fund expenditures, for purposes of this paragraph, the  
2 distribution of revenues that are passed through to participating  
3 members of the special education local plan area. This paragraph  
4 is applicable only to the following school districts:

5 (A) High school districts with an average daily attendance  
6 greater than 300 pupils.

7 (B) Elementary school districts with an average daily  
8 attendance greater than 900 pupils.

9 (C) Unified school districts with an average daily attendance  
10 greater than 1,200 pupils.

11 (3) Certify that it has publicly approved an ongoing and major  
12 maintenance plan that outlines the use of the funds deposited, or  
13 to be deposited, pursuant to paragraph (2). The plan may provide  
14 that the *school* district need not expend all of its annual allocation  
15 for ongoing and major maintenance in the year in which it is  
16 deposited if the cost of major maintenance requires that the  
17 allocation be carried over into another fiscal year. However, any  
18 state funds carried over into a subsequent year ~~shall~~ *may* not be  
19 counted toward the annual minimum contribution by the *school*  
20 district. A plan developed in compliance with this section shall be  
21 deemed to meet the requirements of Section 17585.

22 (c) A *school* district to which paragraph (2) of subdivision (b)  
23 does not apply shall certify to the board that it can reasonably  
24 maintain its facilities with a lesser level of maintenance.

25 (d) For the purposes of calculating a county office of education  
26 requirement pursuant to this section, the ~~3~~ 2 percent maintenance  
27 requirement shall be calculated based upon the county office of  
28 education general fund less any restricted accounts.

29 SEC. 3. Section 17463.5 is added to the Education Code, to  
30 read:

31 17463.5. Notwithstanding Sections 17462 and 17463, until  
32 the date that the Governor issues a proclamation declaring that the  
33 California economy has fully recovered from the recession that  
34 began in 2000, the funds derived from the sale of surplus property  
35 may be deposited in the general fund of the school district and used  
36 for any general fund purpose.

37 SEC. 4. Section 17584 of the Education Code is amended to  
38 read:

39 17584. (a) The State Allocation Board shall apportion, from  
40 the State School Deferred Maintenance Fund, to school districts an

1 amount equal to one dollar (\$1) for each ~~one dollar (\$1)~~ *fifty cents*  
 2 *(\$0.50)* of local funds up to a maximum of  $\frac{1}{2}$  percent of the  
 3 district's second prior fiscal year revenue limit average daily  
 4 attendance multiplied by the average, per unit of second prior  
 5 fiscal year average daily attendance, of the total expenditures and  
 6 ending fund balances of the total general funds and adult education  
 7 funds for districts of similar size and type, as defined in  
 8 subdivision (b) of Section 42238.4, for the second prior fiscal year,  
 9 exclusive of any amounts expended for capital outlay, debt service,  
 10 or revenues that are passed through to other local education  
 11 agencies, to the extent of funds available.

12 (b) In order to be eligible to receive state aid pursuant to  
 13 subdivision (a), no district shall be required to budget from local  
 14 district funds an amount greater than  $\frac{1}{2}$  percent of the district's  
 15 second prior fiscal year revenue limit average daily attendance,  
 16 multiplied by the average, per unit of second prior fiscal year  
 17 average daily attendance, of the total expenditures and ending fund  
 18 balances of the total general funds and adult education funds for  
 19 districts of similar size and type, as defined in subdivision (b) of  
 20 Section 42238.4 for the second prior fiscal year, exclusive of any  
 21 amounts expended for capital outlay, debt service, or revenues that  
 22 are passed through to other local educational agencies.

23 (c) The apportionment of funds specified in subdivision (a)  
 24 shall be made by the State Allocation Board after December 1 of  
 25 each fiscal year.

26 SEC. 5. Section 33128 of the Education Code, as amended by  
 27 Section 6.5 of Chapter 1168 of the Statutes of 2002, is amended  
 28 to read:

29 33128. (a) The standards and criteria to be adopted by the  
 30 State Board of Education pursuant to Section 33127 shall include,  
 31 but not be limited to, comparisons and reviews of *all of* the  
 32 following:

- 33 (1) Average daily attendance.
- 34 (2) Revenues and expenditures.
- 35 (3) Reserves and fund balance.
- 36 (4) Multiyear commitments.

37 (b) *The standards and criteria adopted by the State Board of*  
 38 *Education for calculating a reserve shall be based on a minimum*  
 39 *amount or a percentage of the local educational agency's total*

1 *expenditures from unrestricted resources, transfers out, and other*  
2 *uses.*

3 (c) Notwithstanding paragraph (3) of subdivision (a), the State  
4 Board of Education shall not adopt standards and criteria for a  
5 budget reserve for economic uncertainties in excess of 1 percent  
6 of a school district's total expenditures *from unrestricted*  
7 *resources, transfers out, and other uses* of the school district for a  
8 school district that has an average daily attendance greater than  
9 125,000 ~~and where~~ if the school district has, by an affirmative vote  
10 of its governing board, agreed to a budget reserve of 1 percent. ~~For~~

11 (d) For the purposes of this ~~paragraph~~ section, "transfers out"  
12 and "other uses" of the school district ~~shall~~ have the same  
13 meaning as set forth in the California School Accounting Manual.

14 ~~(e)~~

15 (e) This section shall become inoperative on July 1, 2004, and,  
16 as of January 1, 2005, is repealed, unless a later enacted statute,  
17 that becomes operative on or before January 1, 2005, deletes or  
18 extends the dates on which it becomes inoperative and is repealed.

19 SEC. 6. Section 33128 of the Education Code, as amended by  
20 Section 6.7 of Chapter 1168 of the Statutes of 2002, is amended  
21 to read:

22 33128. (a) The standards and criteria to be adopted by the  
23 State Board of Education pursuant to Section 33127 shall include,  
24 but not be limited to, comparisons and reviews of *all of the*  
25 *following*:

26 (1) Average daily attendance.

27 (2) Revenues and expenditures.

28 (3) Reserves and fund balance.

29 (4) Multiyear commitments.

30 (b) *The standards and criteria adopted by the State Board of*  
31 *Education for calculating a reserve shall be based on a minimum*  
32 *amount or a percentage of the local educational agency's total*  
33 *expenditures from unrestricted resources, transfers out, and other*  
34 *uses.*

35 (c) *For purposes of this section, "transfers out" and "other*  
36 *uses" have the same meaning as set forth in the California School*  
37 *Accounting Manual*

38 (d) This section shall become operative on July 1, 2004.

O